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SUBJECT: "YUGOSLAVIA" OFFICIALLY DISAPPEARS, GIVES WAY
TO "SERBIA AND MONTENEGRO"

SUMMARY

1. ON FEBRUARY 4, FOLLOWING THE ADOPTION OF THE CONSTITUTIONAL CHARTER AND IMPLEMENTATION LAW, THE YUGOSLAV PARLIAMENT OFFICIALLY PROCLAIMED THE END OF THE FEDERAL REPUBLIC OF YUGOSLAVIA AND THE BEGINNING OF THE STATE UNION OF "SERBIA AND MONTENEGRO." THIRTY FEDERAL INSTITUTIONS IMMEDIATELY CEASED TO EXIST, SEVEN -- INCLUDING THE NATIONAL BANK OF YUGOSLAVIA -- HAVE BECOME SERBIAN BODIES, AND 15 SCIENTIFIC, CULTURAL, AND TRANSPORTATION BODIES ARE NOW IN LIMBO.

2. THE IMPLEMENTATION LAW SETS A CLEAR TIMETABLE FOR THE TRANSFORMATION OF THE JOINT STATE. A NEW UNION ASSEMBLY IS SUPPOSED TO BE IN PLACE WITHIN TWO WEEKS, AND THE STATE UNION'S FIRST PRESIDENT AND HIS CABINET SHOULD BE APPOINTED BY MARCH 6. IN ADDITION, SERBIA AND MONTENEGRO ARE OBLIGED TO AMEND OR REPLACE THEIR CURRENT CONSTITUTIONS IN LINE WITH THE CONSTITUTIONAL CHARTER BY JUNE 30, ALTHOUGH SERBIAN PRIME MINISTER DJINDJIC ALREADY HAS POINTED TO SEPTEMBER AS A MORE REALISTIC TIMELINE FOR THE ADOPTION OF A NEW SERBIAN CONSTITUTION. THE ALREADY APPARENT DISREGARD OF KEY OFFICIALS TOWARD THE PROVISIONS OF THE IMPLEMENTATION LAW, AND THE NARROW MAJORITY THAT THE RULING SERBIAN AND MONTENEGRIN COALITIONS WILL HAVE IN THE NEW UNION ASSEMBLY, SUGGEST THAT THE ESTABLISHMENT OF A FUNCTIONING JOINT STATE WILL TAKE LONGER THAN ENVISIONED. EU HIGH REPRESENTATIVE SOLANA IS DUE IN BELGRADE ON FEBRUARY 6 TO TRY TO SUSTAIN MOMENTUM FOR THE TRANSFORMATION OF THE JOINT STATE AND THE DRAFTING OF A DETAILED ACTION PLAN FOR ECONOMIC HARMONIZATION, DUE NEXT MONTH. END SUMMARY.

FEDERAL PARLIAMENT PROCLAIMS CONSTITUTIONAL CHARTER

3. ON FEBRUARY 4, BOTH CHAMBERS OF THE YUGOSLAV PARLIAMENT VOTED TO ADOPT THE CONSTITUTIONAL CHARTER AND ITS ACCOMPANYING IMPLEMENTATION LAW, FOLLOWING THEIR ADOPTION LAST WEEK BY THE SERBIAN AND MONTENEGRIN PARLIAMENTS. THIS ACT WAS FOLLOWED IN THE EVENING BY A PROCLAMATION CEREMONY OFFICIALLY MARKING THE END OF THE FEDERAL REPUBLIC OF YUGOSLAVIA AND THE BEGINNING OF THE STATE UNION OF "SERBIA AND MONTENEGRO." IN THE PROCESS, THE FRY TRANSFERRED ALL OF ITS RIGHTS AND DUTIES TO THE NEW STATE UNION.

4. SUPPORT FROM SERBIA'S RULING DOS COALITION AND THE MONTENEGRO'S TWO MAJOR PARTIES -- THE RULING DPS PARTY AND THE OPPOSITION SNP PARTY -- GUARANTEED RELATIVELY EASY PASSAGE OF THE TWO DOCUMENTS IN BOTH HOUSES OF THE FEDERAL PARLIAMENT. AS IN THE SERBIAN PARLIAMENTARY VOTE, YUGOSLAV PRESIDENT KOSTUNICA'S DEMOCRATIC PARTY OF SERBIA (DSS) WAS THE MOST NOTABLE DISSENTER, VOTING FOR THE CONSTITUTIONAL CHARTER BUT AGAINST THE IMPLEMENTATION LAW.

FEDERAL INSTITUTIONS INSTANTLY TRANSFORMED OR DISSOLVED

5. BASED ON ARTICLES 14, 15, AND 16 OF THE IMPLEMENTATION LAW, THIRTY FEDERAL INSTITUTIONS -- INCLUDING THE MINISTRIES OF INTERNAL AFFAIRS, FINANCE, JUSTICE, AND TRANSPORT -- CEASED TO EXIST UPON THE

PARLIAMENT'S PROCLAMATION OF THE CHARTER. ALSO EFFECTIVE IMMEDIATELY, SEVEN FEDERAL INSTITUTIONS -- INCLUDING THE NATIONAL BANK OF YUGOSLAVIA AND THE FEDERAL CUSTOMS ADMINISTRATION -- HAVE BECOME SERBIAN BODIES, ALTHOUGH THE SERBIAN PARLIAMENT STILL IS OBLIGED TO PASS NEW REGULATIONS FORMALIZING THEIR PLACE IN THE SERBIAN BUREAUCRACY. FIFTEEN SCIENTIFIC, CULTURAL, AND TRANSPORTATION BODIES ARE NOW IN LIMBO, REMAINING IN OPERATION AT THE JOINT-STATE LEVEL "UNTIL THEIR FINAL STATUS IS DEFINED."

OSTENSIBLY FIRM TIMETABLE SET IN MOTION

16. WITH ITS ADOPTION, THE IMPLEMENTATION LAW SETS A CLEAR TIMETABLE FOR THE TRANSFORMATION OF THE JOINT STATE AND THE COMPOSITION OF ITS EXECUTIVE, LEGISLATIVE, AND JUDICIAL STRUCTURES. THE FOLLOWING IS A CALENDAR OF DEADLINES SET FORTH BY THE LAW, ALTHOUGH PAST EXPERIENCE SUGGESTS THAT NONE OF THESE DEADLINES ARE LIKELY TO BE TREATED WITH STRICT OBEDIENCE:

-- FEBRUARY 14: SERBIAN AND MONTENEGRIN PARLIAMENTS PASS RESPECTIVE LAWS ON INDIRECT ELECTION OF DEPUTIES TO THE NEW UNION ASSEMBLY

-- FEBRUARY 19: INDIRECT ELECTION OF MPS TO THE UNION ASSEMBLY

-- WEEK OF 24 FEBRUARY: THE FIRST SESSION OF THE UNION ASSEMBLY IS HELD (WITHIN FIVE DAYS OF ELECTION OF MPS). THIS SESSION, WHICH IS LIKELY TO LAST SEVERAL DAYS, WILL ELECT THE ASSEMBLY SPEAKER AND VICE-SPEAKER AND THE PRESIDENT OF THE NEW STATE UNION. IT WILL ALSO ENACT THE LAW ON THE TEMPORARY FINANCING OF THE STATE UNION.

-- AROUND END OF FEBRUARY: PRESIDENT PROPOSES COMPOSITION OF THE COUNCIL OF MINISTERS (WITHIN 5 DAYS OF THE PRESIDENT'S ELECTION).

-- MARCH 6: "ALL INSTITUTIONS OF THE STATE UNION WILL BE CONSTITUTED, I.E. WILL BE ELECTED." (THIS APPARENTLY IS THE DEADLINE FOR THE ASSEMBLY TO APPROVE THE PRESIDENT'S PROPOSED CABINET).

-- MID-MARCH: APPOINTMENT OF JUDGES TO THE "COURT OF SERBIA AND MONTENEGRO (WITHIN 25 DAYS OF THE PRESIDENT'S ELECTION)

-- MID-MARCH: ADOPTION OF OMNIBUS LAW REGULATING THE "ORGANIZATION, MODE OF WORK, AND SUPERVISIONS" OF THE JOINT STATE'S INSTITUTIONS.

-- MARCH 31: COMPLETION OF DETAILED ACTION PLAN FOR THE INTERNAL MARKET AND FOREIGN TRADE

-- APRIL 5: FORMATION OF COMMISSION ON THE DIVISION OF FRY PROPERTY AND ASSETS

-- JUNE 30: REPUBLICS EITHER AMEND OR REPLACE CURRENT CONSTITUTIONS IN CONFORMITY WITH THE CONSTITUTIONAL CHARTER.

-- JULY 4: PROPERTY AND ASSET COMMISSION MUST FORWARD A DRAFT LAW TO THE SERBIAN AND MONTENEGRIN PARLIAMENTS.

-- DECEMBER 31: REPUBLICS MUST HARMONIZE ALL OF THEIR LAWS AND OTHER REGULATIONS WITH THE CHARTER AND THE LAWS OF THE NEW UNION

17. ACCORDING TO ARTICLE 22 OF THE IMPLEMENTATION LAW, "ALL THE DEADLINES DEFINED BY THE CONSTITUTIONAL CHARTER WILL COME INTO EFFECT FROM THE DAY THE CONSTITUTIONAL CHARTER COMES INTO EFFECT." HENCE, DIRECT ELECTIONS FOR THE UNION ASSEMBLY'S DEPUTIES MUST TAKE PLACE IN FEBRUARY 2005. LIKewise, NEITHER REPUBLIC CAN SCHEDULE A REFERENDUM ON SECEDING FROM THE JOINT STATE UNTIL FEBRUARY 2006, ALTHOUGH MONTENEGRO'S PRO-

INDEPENDENCE PARTIES STILL MAY TRY TO POINT TO MARCH 14, 2005, THREE YEARS AFTER THE SIGNING OF THE BELGRADE AGREEMENT, AS THE EARLIEST DATE WHEN THEY CAN SLATE SUCH A REFERENDUM.

COMPOSITION OF THE NEW UNION ASSEMBLY

¶18. THE NEW ASSEMBLY WILL COMPRISE 126 DEPUTIES, 91 FROM SERBIA, 35 FROM MONTENEGRO. ACCORDING TO MIODRAG ISAKOV OF SERBIA'S RULING DOS COALITION, DOS WILL HAVE 47 SEATS, DSS 16, THE SOCIALIST PARTY OF SERBIA (SPS) 12, THE SERBIAN RADICAL PARTY 8, THE PARTY OF SERBIAN UNITY 4, NEW SERBIA 2, AND THE SPS SPLINTER SOCIALIST PEOPLE'S PARTY (SNP) 2. OF THE 35 MONTENEGRIN SEATS, SOURCES SAY THAT 21 WILL BE DISTRIBUTED AMONG THE RULING COALITION OF THE DEMOCRATIC PARTY OF SOCIALISTS, SOCIAL DEMOCRATIC PARTY (SDP), AND ETHNIC ALBANIAN PARTY AND THE REMAINING 14 WILL GO TO THE OPPOSITION TOGETHER FOR CHANGES BLOC.

¶19. THE TWO RULING COALITIONS THEREFORE HOLD A FEW SEATS MORE THAN THE 64 SEATS NECESSARY FOR A MAJORITY VOTE IN THE NEW UNION ASSEMBLY. IF THE TREND OF COOPERATION BETWEEN THE RULING SERBIAN AND MONTENEGRIN COALITIONS ESTABLISHED DURING THE DRAFTING OF THE CONSTITUTIONAL CHARTER CONTINUES, OFFICIALS OF THE NEW UNION SHOULD BE ABLE TO STICK CLOSELY TO THE TIMETABLE SET FORTH ABOVE. NONETHELESS, THE 16 REMAINING PARTIES IN THE DOS COALITION MAINTAIN VARYING DEGREES OF LOYALTY TO SERBIAN PRIME MINISTER DJINDJIC, AND MONTENEGRIN PRIME MINISTER DJUKANOVIC'S COALITION PARTNERS HAVE ALREADY SHOWED THEIR INDEPENDENCE BY VOTING AGAINST ADOPTION OF THE CONSTITUTIONAL CHARTER.

SOLANA SEEKS TO SUSTAIN MOMENTUM

¶10. EU DELEGATION OFFICIALS CONFIRMED TO POST THAT EU HIGH REPRESENTATIVE JAVIER SOLANA PLANS TO VISIT BELGRADE AND PODGORICA ON FEBRUARY 6 TO CONGRATULATE OFFICIALS IN BOTH CAPITALS ON THE OFFICIAL ADOPTION OF THE CHARTER AND THE ESTABLISHMENT OF THE STATE UNION OF SERBIA AND MONTENEGRO. HIS PRIMARY MESSAGE WILL BE THAT THE REAL WORK OF ESTABLISHING A FUNCTIONING JOINT STATE AND IMPLEMENTING AN ACTION PLAN FOR AN INTERNAL MARKET AND FOREIGN TRADE HAS ONLY JUST BEGUN.

COMMENT

¶11. ALTHOUGH AN IMPORTANT EVENT, THE END OF "YUGOSLAVIA" AND THE BEGINNING OF "SERBIA AND MONTENEGRO" WAS GREETED WITH LITTLE JOY IN EITHER SERBIA OR MONTENEGRO. THE LONG DELAY IN CRAFTING THE CONSTITUTIONAL CHARTER AND THE FRAGILITY OF THE NEW UNION HAVE LEFT THE PUBLIC WITH AN APPREHENSIVE FEELING. IT IS INAUSPICIOUS (ALBEIT NOT SURPRISING) THAT KEY OFFICIALS ALREADY BEGAN IGNORING PROVISIONS OF THE CONSTITUTIONAL CHARTER EVEN BEFORE ITS OFFICIAL PROCLAMATION. FOR INSTANCE, SERBIAN PM DJINDJIC INDICATED PUBLICLY THAT HE AND MONTENEGRIN PM DJUKANOVIC HAVE AGREED THAT TWO SERBS WILL HOLD THE FOREIGN AND DEFENSE MINISTER POSTS IN THE NEW UNION, EVEN THOUGH ARTICLE 14 OF THE CHARTER SPECIFICALLY STIPULATES THAT THESE TWO MINISTERS SHALL BE FROM DIFFERENT MEMBER STATES. SIMILARLY, ON FEBRUARY 1, DJINDJIC SAID THAT SERBIA'S NEW CONSTITUTION COULD BE COMPLETED BY SEPTEMBER, EVEN THOUGH THE PARLIAMENT IS OBLIGED BY THE CHARTER TO ADOPT THE NEW CONSTITUTION BY JUNE 30.

¶12. ON THIS BASIS ALONE, WE CAN EXPECT THAT SERBIA AND MONTENEGRO WILL NOT KEEP PACE WITH THE FIRM TIMETABLE FOR ESTABLISHING A FUNCTIONING JOINT STATE SET FORTH IN THE IMPLEMENTATION LAW. THE MOST COMPELLING INCENTIVES FOR THE TWO MEMBER STATES TO DO SO, HOWEVER, WILL CONTINUE TO BE PROVIDED BY THE INTERNATIONAL COMMUNITY. IN THE NEAR-TERM, THE NEW ASSEMBLY'S ENACTMENT OF A LAW ON THE TEMPORARY

FINANCING OF THE STATE UNION IS A PREREQUISITE FOR THE IMF BOARD OF DIRECTORS TO HOLD AN ALREADY TWICE-DELAYED MEETING TO REVIEW COMPLIANCE WITH THE FUND'S THREE-YEAR EXTENDED ARRANGEMENT (EA) WITH SERBIA AND MONTENEGRO AND TO APPROVE THE THIRD TRANCHE OF THE EA. IN ADDITION, SOLANA IS LIKELY TO REMIND OFFICIALS THAT THE LAUNCHING OF THE EU'S STABILIZATION AND ASSOCIATION PROCESS, STARTING WITH A FEASIBILITY STUDY, IS CONDITIONED ON THE DRAFTING OF A DETAILED ACTION PLAN OF ECONOMIC HARMONIZATION BY THE END OF MARCH.

MONTGOMERY